

Excerpts from
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Chapter 6 ... Problems Relating to Opium and Narcotics.

I. The Opium and Narcotics Problem in China.

Since the outbreak of the China Incident in July, Showa 12 (1937), the areas occupied by our forces in China have gradually been expanded, and new governments have been established in various places. The Foreign Ministry, recognizing the necessity of fixing an opium and narcotic policy in these areas and of giving proper guidance to the new governments in collaboration with the occupational forces as an urgent one, following investigations, resorted to the following general measures:

(1) With regard to opium, the prohibition policy heretofore adopted shall be continued in principle, but in view of the Chinese people's bad habit of smoking opium and the present condition of public peace, control suitable to the actual situation shall be exercised. (We admit the prematurity of a monopoly system.)

(a) The Mongolian Committee is keeping control over the production, collection and exportation of opium produced in that territory. The North China Government had set up an Investigation Section in its Revenue Superintendence Office simultaneously with the establishment of that government, and has been imposing a stamp duty on the opium traded in the area under its jurisdiction and has thus kept control over illegal trade. Furthermore, an Association of Opium-dealers has been organized under our guidance for a more complete control over opium traffic.

(b) In Central China also the Restoration Government recently established the General Opium Monopoly Bureau to supervise over the Opium-Dealers' Association, called the Hung Chi Shan Tang, and thus commenced control over the opium business.

(c) In Canton also, the opium monopoly system is said to have been in force before it was occupied by the Japanese forces. Careful investigations are now being carried out to form our future policy for control over opium.

(d) Although we do not know the total amount of revenue collected by the New Government on opium, we are told that the local government of Ho-peh Province collected revenue on opium totalling about FRB \$200,000 exclusive of the revenues collected by the lesser local governments in February, this year. It can be imagined that the total revenue will increase, together with the bringing about of public peace and enforcement of new policies.

(e) In addition, we are acting under the policy of using (domestic) opium for obtaining raw materials for producing opium as much as possible and are now adjusting the production of Mongolian opium. In April, this year, the province was isolated from the opium-producing districts in Central China, consequently there was a sudden rise in the price of opium. The price rose from \$5 to \$35 per liang or per 10 momme, or 375.65 g. Complying with the demands of our occupation forces, we allowed 423 cases of Iranian opium to be imported under an import certificate issued by the North China Government because we feared some illegal traders of a third country might take advantage of the situation.

(2) The harm caused by narcotics is even greater than that of opium. To carry out the above opium policies successfully, we find it absolutely necessary not only to keep strict control over narcotics but also to strictly prohibit their illegal trade in our occupied areas due to the international nature of this business. We are now guiding the New Government in collaboration with our occupation forces and, at the same time, we are acting under the following measures, in addition to carrying out strict enforcement of existing ordinances of the Foreign Ministry and offering guidance in the changing occupation with regard to control of the illegal Japanese traders in China who have always been apt to give rise to trouble in one way or another:

(a) Punishment of illegal Japanese dealers severely within the limits provided by the ordinances in order to exercise strict control over them and to prohibit habitual offenders from residing in China;

(b) To keep perfect control over illicit manufacture of narcotics which is the root of all illegal trade;

(c) To guide and assist illegal Japanese dealers in changing their employment.

With regard to giving guidance to those changing their employment, they are being engaged as "benriya" (porter, messenger, etc.) or chop housekeepers, connected with the forces in areas which are under the occupation of the Imperial Forces. Regarding the eastern part of Hopeh we decided to make the Totsaku (Far East Colonization Company) set up a "Security farm village" in Luitai for Korean paupers in cooperation with the Government-General of Chosen. Basic works were begun in September, this year. (3,500 chela (8,575 acres); 1,000 Korean families to be accommodated. Out of the total necessary funds amounting to £680,000, government subsidy is expected to cover £230,000.) Up to the present time, narcotics were exported to China for the use of Japanese doctors, pharmacists and hospitals in China under import permits issued by consulates in accordance with Foreign Ministry ordinances. Following the establishment of a new government, we found it proper to supply narcotics for medical use from Japan proper on the standpoint of collaboration with the Chinese narcotic policy, and we did our best whenever any concrete problem arose through consultations with the military and the Ministries concerned. (As of the end of October, Showa 13 (1938)).

II. Regarding the dispatch of AOKI, junior secretary (jimukan), to North China and Manchukuo.

We sent AOKI, junior secretary in charge of business relating to opium, to North China, Manchukuo and Korea at the beginning of February for about a month for the purpose of inquiring into some means of disposing of the confiscated opium and narcotics in Tientsin, and also to study the present condition of narcotic administration in North China and Manchukuo for the purpose of obtaining an insight into future narcotic and opium policies.

The secretary visited Shanghai in the beginning of March in order to inspect the demand and supply of opium on the spot relative to disposing of the question of importation of Iranian opium and to make arrangements with the Embassy and the Army Special Service.

III. Re the Disposal of the Confiscated Opium and Narcotics in Tientsin.

Regarding the confiscated opium and narcotics in the custody of the General Consulate in Tientsin, it was decided that they be sold to the General Monopoly Department of Manchukuo to be used for treatment of opium-addicts in that country during Secretary AOKI's tour in North China. A memorandum was drawn up, in accordance with which the above were delivered in Mukden on March 11, Showa 13 (Kante 5) 1938.

IV. The Far Eastern Problem during the 23rd Session of the Opium Advisory Committee.

Discussions on the so-called "Far Eastern Problem" regarding opium and narcotics during the meeting of this Advisory Committee were after all centered on Japan's responsibility of supervision in China, and the representatives of the various countries, as usual, rose one after another to abuse Japan and the Japanese forces for the deteriorated conditions in the areas under Japanese domination. Our representative, AMAU, explained to them our fundamental policy and the measures we have taken to control opium and narcotics, and disclosed the true state of things. He endeavored to convince them that the opium and narcotic problem in China lacked clarity due to the situation itself in China, and that it was a mistake to charge us with the responsibility. The representatives of the United States, Egypt, Great Britain, Canada, Belgium, etc., continued to adhere to the prejudiced view that Japan lacked sincerity and effort, and commented severely upon the responsibility of our country. Many heated controversies took place.

V. The Question Regarding the Preparatory Committee for the Restriction of the Production of Raw Materials for the Manufacture of Narcotics.

With regard to the question of restricting the production of raw materials, all members of the Committee supported the argument that future treaties on this matter should be universal. Our representative, AMAU, took every opportunity to draw attention to the fact that Manchukuo could not be disregarded because she was one of the chief consumers and importers of opium. As discussions on the question of raw materials went on, the committee undeniably became gradually aware that they must take Manchukuo into consideration. Even from the standpoint of restriction of production of raw materials alone, the position of Japan, which has close relations with the greater part of China, to say nothing of Manchukuo and North China, took on more and more importance, and the committee as a whole became convinced that without the efforts of Japan it would be next to impossible to settle

the question of restricting the production of raw materials. Though nobody can predict for certain whether a treaty will be concluded on this matter, all the countries are in agreement with the aims of this conference. Moreover, as the League and the Opium Advisory Committee are to take the leadership and continue to strive towards bringing about a treaty, it is likely that the question will gradually materialize and lead to the conclusion of a treaty. Our country should agree to the aims of restricting the production of raw material for the manufacture of narcotics and approve the conclusion of a treaty. Therefore, it is without doubt necessary for us, though we took a negative attitude in the Preparatory Committee, to fix our fundamental policy on this matter and be ready for any possible situations in the future, regardless of whether or not we shall participate in the international collaboration with the League as the pivot in the field of opium and narcotics.

VI. Problems of Controlling the Imports of Iranian Opium.

Since November, Showa 10 (1935), an agent of the Mitsubishi Trading Co., Ltd., in Teheran had been negotiating with the Iranian Cotton Cloth Import Monopoly Company (which is in reality an institution of the Iranian Government) to conclude a contract for importing Japanese cotton cloth in exchange for exports of Iranian opium. On August 1st, Showa 11 (1936), they had reached an understanding that the Mitsubishi would export 1,000 cases of Iranian opium (L113,900), in exchange for which the Cotton Cloth Monopoly Company would buy L170,000 worth of Japanese cotton cloth (about one and a half times as much opium). However, the opium would be exported before Feb. 20th, Showa 12 (1937) while the cotton cloth would be imported before May 31st of the same year. The two parties had made a contract and had signed it.

(Notes: As to the import right in exchange for exports which is the essential point in opium trade, the ratio was 1 to 15 in Showa 11 (1936), and was reduced to 1 to 3 in Showa 12 (1937), but was further reduced to 1 to 1 in Showa 13 (1938) as a result of competition between the two companies. At every opportunity the Iranian side took an attitude to deny Japan the right to import in exchange for their exports, as mentioned below.)

Now, the above contract had expired at the end of February, Showa 12 (1937). Because of various circumstances, the Mitsubishi Company had been delaying the renewal of the

contract. Prior to this, the Mitsui Bussan, which had also established an agency in Teheran like the Mitsubishi, had made a successful bid for opium to be supplied to Dairen, after having made some kind of a secret understanding with the Opium Company, and had proposed an interim contract to the Opium Company. To this, the Opium Company did not comply for the reason that while it was under a special contract with Mitsubishi, there was a stipulation that it could not conclude a contract with any other company even if it is to come into force after the expiration of the special contract. On the other hand, however, the Opium Company had grasped the situation between Mitsui and Mitsubishi, and had informed them that it would raise the price of opium to be exported to Japan, and would sell it by competitive bids, and that the right to import cotton cloth in exchange for the exports would not be acknowledged.

If in the future the two firms were left to free competition, such being allowed between them, the Iranian side will detect their intentions and will take advantage of them, and this will consequently hinder the normal development of our commercial interests in Iran. Therefore, ASADA, Charge d'Affaires in Iran, had mediated between the agents of the Mitsui and Mitsubishi and made them conclude an agreement on March 6th, Showa 12 (1937). According to this agreement, Mitsui would abandon the contract with the Opium Company for the fiscal year of Showa 12 (1937), would acknowledge the monopolistic position of Mitsubishi for a year to come, after which period a new conference will be held. The Legation announced that it would not allow Mitsubishi to conclude contracts for its monopoly rights with the Opium Company by taking advantage of its position for the said one year.

The above Mitsui-Mitsubishi agreement had made a compromise for the situation up to March 6th, Showa 13 (1938), but later there was a difference of opinion between the two firms in the interpretation of the clauses of the agreement. The Mitsubishi skilfully dodged, saying it had no obligation but to concede to negotiations after the said period and took a firm attitude to maintain the continuance of its complete monopoly for the reason that it had been the pioneer in Iranian opium trade and because of a provision of "preference" with the Opium Company, while Mitsui strongly insisted on free competition after the said period. Such being the case, the two would certainly have strenuous competition between them after March 6th, Showa 13 (1938). As a result, they would be easily and freely manipulated by the opium company. It seemed to be a matter of vital importance to make the head offices of the Mitsui and Mitsubishi conclude a concrete agreement.

In March, Showa 13 (1938), the Mitsui tried to make a bargain with the Opium Company for transactions after June, but was refused any transactions until Dec. 27th, Showa 13 (1938), because of the monopoly contract already concluded with Mitsubishi. Therefore, Mitsui strongly demanded that the monopoly contract concluded by Mitsubishi in violation of the agreement dated March 6th, Showa 12 (1937), be ordered to be abandoned. On the other hand, according to information from Mitsubishi, Mitsui had shipped on the Singapore Maru 978 cases of opium to Taiku (550 to Macao; 428 to Central China) from Bushire. As mentioned above, Mitsubishi had concluded a monopoly contract in disregard of the strict order from our Legation, and Mitsui while rebuking Mitsubishi for the monopoly contract, had exported opium outside of the above contract. Thus, it is needless to say, both firms would accomplish their purposes by hook or crook, while on the other hand, there was involved the problem of their prestige as great firms in the world of business. Neither would yield in the export of Iranian opium, and thus was commenced a furious battle of trade.

With the situation left to shift as mentioned above, there would be no question about the loss in trade interest, and it would be a matter of regret from the point of maintaining Japan's dignity in world trade. We had been persuading the two companies to come to a compromise to buy Iranian opium through a single agent from a broad standpoint of Japan-Iran trade and our relations with the U.S.S.R. Then in October Mitsubishi had informed us that it was negotiating a contract to buy 3,000 cases to be exported to Manchukuo (over a two-year period). Following this, Mitsui also had informed us that it was negotiating to buy 2,000 cases for Central China. Mediation was attempted by introducing a tentative plan to facilitate cooperation between the two firms. According to this plan, the two companies would negotiate on a single combined basis in buying opium to be exported to Japan, Manchukuo and China; the amount of opium to be bought for export to the above three countries for the year Showa 14 (1939) would be confined, for the present, to 4,000 cases (both firms having equal shares, or, Mitsubishi would export to Japan and Manchukuo while Mitsui to China), and if it is necessary for them to buy more than the above quantity, they would have equal shares. Mitsubishi, however, refusing to include in the agreement the opium bought for Manchukuo, had signed a contract on the spot in December. For this reason we could not prevent Mitsui exporting to Japan and China, and so Mitsui also signed a contract (the ratio of the import right being 1 to 1). Our mediation, in this way, had ended in a temporary failure. As the two contracts involved no monopolistic rights, there was

room left for future negotiations between the two companies. Our policy remaining unchanged, we tried to force an agreement between the two companies by further tightening our relations with the military authorities and by obtaining the cooperation of the Finance Ministry and the Commerce and Industry Ministry. (On March 14, Showa 14 (1939), the two companies reached an agreement on this matter, and it was decided that Mitsubishi would export to Japan and Manchukuo while Mitsui would export to Central and South China, and that both would export to North China on the same basis.)

VII. Regarding the Disposal of the Cocaine Stored by the Formosan Pharmaceutical Company.

The amount of cocaine manufactured by the Formosan Pharmaceutical Company since Showa 7 (1932) had far surpassed the amount actually consumed. Recently, as it could not be sold as expected, the total stock of hydrochloric cocaine and unrefined cocaine amounting to over 2,500 kg. remained. On Dec. 7th, Showa 13 (1938), the Board of Managers of the Opium Committee, thinking it improper, in view of the various circumstances, to continue this condition, had decided to establish a plan to use up the stock in the next three years by consumption in Formosa, by shipment to Japan Proper and other countries, and by supplying the proper demands in Manchukuo and China. It was also decided to limit the amount of manufacture of the Formosan Pharmaceutical Company to such an extent as will be required to carry out the above plan. This plan was submitted to the Opium Committee for deliberation on Dec. 12th of the same year and was approved by it.

VIII. Regarding the Expansion of Acreage for Poppy Growing in Korea.

According to the decision of the Cabinet on Apr. 11th, Showa 8 (1933), the raw opium in the custody of the Government-General of Korea was allowed to be transferred to the Government of Manchukuo as a temporary measure. Hereafter raw opium produced in Korea may be transferred to the Government of Manchukuo for the sake of cooperation with its monopoly system according to the above decision of the Cabinet, besides being supplied as materials for the opium monopolies of the Government-General of Formosa and the Kwantung Bureau. Accordingly, it was submitted to the Opium Committee for deliberation on Dec. 12, Showa 13 (1938), that the quantities of raw opium to be supplied or transferred to the Government-General of Formosa, the Kwantung Leased territory and the Government of Manchukuo, and the acreage for poppy-growing necessary to produce the required quantities of opium should be decided upon after consultation by the authorities concerned. It was passed by

the Committee on the same day, and it was decided upon by the Cabinet on Dec. 23rd of the same year.

There will be an increase of 2,000 chobu (4,900 acres) in the acreage for poppy growing during the fiscal year of Showa 14 (1939), and the total acreage for poppy-growing in the same year is expected to amount to about 7,000 chobu (17,150 acres).